BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Gregory Scott	Chair
Edward A. Garvey	Commissioner
Marshall Johnson	Commissioner
LeRoy Koppendrayer	Commissioner
Phyllis A. Reha	Commissioner

In the Matter of Establishing Generic Standards for Utility Tariffs for Interconnection and Operation of Distributed Generation Facilities under Minnesota Laws 2001, Chapter 212

ISSUE DATE: August 20, 2001

DOCKET NO. E-999/CI-01-1023

ORDER INITIATING DOCKET

PROCEDURAL HISTORY

On May 29, 2001, the Governor signed Senate File 722, Minnesota Laws 2001, Chapter 212, codified in relevant part at Minnesota Statutes § 216B.1611. Subdivision 2 of that statute states:

> (a) The commission shall initiate a proceeding within 30 days of the effective date of this section, to establish, by order, generic standards for utility tariffs for the interconnection and parallel operation of distributed generation fueled by natural gas or a renewable fuel, or another similarly clean fuel or combination of fuels of no more than ten megawatts of interconnected capacity. At a minimum, these tariff standards must:
>
> (1) to the extent possible, be consistent with industry and other federal and state operational and safety standards;
>
> (2) provide for the low-cost, safe, and standardized interconnection of facilities;
>
> (3) take into account differing system requirements and hardware, as well as the overall demand load requirements of individual utilities;
>
> (4) allow for reasonable terms and conditions, consistent with the cost and operating characteristics of the various technologies, so that a utility can reasonably be assured of the reliable, safe, and efficient operation of the interconnected equipment; and
>
> (5) establish: (i) a standard interconnection agreement that sets forth the contractual conditions under which a company and a customer agree that one or more facilities may be interconnected with the company's utility system; and (ii) a standard application for interconnection and parallel operation with the utility system.
>
> (b) The commission may develop financial incentives based on a public utility's performance in encouraging residential and small business customers to participate in on-site generation.

On July 19, 2001, the Commission gave notice of its intent to consider this matter at its July 31 meeting.

The matter came before the Commission on July 31, 2001.

FINDINGS AND CONCLUSIONS

I. Background

As noted above, the Legislature has directed the Commission to establish "generic standards for utility tariffs for the interconnection and parallel operation of distributed generation...."

A tariff is the list of services provided by a public utility, and the terms for obtaining those services, that the public utility files with the Commission. Minn. Stat. § 216B.05, subd. 1. Thus, the Legislature is directing the Commission to establish the conditions under which a person may interconnect and operate distributed generation facilities with any electric utility within the Commission's jurisdiction.

Most electricity is generated at large power plants, then transmitted long distances to where it is needed. This arrangement has resulted from the economies of scale in generation, especially for plants driven by fossil fuels or nuclear fission. "Distributed generation," in contrast, refers to the practice of generating electricity close to where it is needed, in plants designed to meet only the local need. Interest in distributed generation has grown as the cost advantage of large generating plants over small generating plants has declined, and as the demands on the transmission system have increased.

Many benefits have been attributed to distributed generation. It may reduce the need for long-distance transmission of electricity. That is, an electric system with a lot of distributed generation may be able to operate with fewer resources devoted to transmission than can a system of the same size with little distributed generation. An electric system with a lot of distributed generation may be more reliable as well. The use of many small generators instead of a few large generators suggests that the failure of any one generator would affect a smaller portion of the utility's customers. Similarly, a reduced reliance on long-distance transmission suggests that a transmission line failure would affect fewer customers. For a customer, having a back-up generator may provide some protection against any type of electric system failure. Finally, facilitating privately-owned distributed generation may make it easier for customers to adopt a means of generating electricity – such as solar power – that better reflect their values and preferences.

The potential for these benefits would be lost, however, if the process of connecting small generators to the electric grid proved too dangerous, or the process of negotiating such connections proved too burdensome. To avoid this outcome, the Legislature adopted the new § 216B.1611 to –

> (1) establish the terms and conditions that govern the interconnection and parallel operation of on-site distributed generation; (2) to provide cost savings and reliability benefits to customers; (3) to establish technical requirements that will promote the safe and reliable parallel operation of on-site distributed generation resources; (4) to enhance both the reliability of electric service and economic efficiency in the production and consumption of electricity; and (5) to promote the use of distributed resources in order to provide electric system benefits during periods of capacity constraints.[1]

[1]Minnesota Laws 2001, Chapter 212, codified at Minnesota Statutes § 216B.1611, subd. 1.

Minnesota is not alone in responding to the promise and problems of distributed generation. For example, the Public Utilities Commission of Texas has developed rules facilitating this technology. These rules are codified in the Texas Administrative Code, Chapter 25, §§ 25.211 and 25.212, and may be found on the World Wide Web at http://www.puc.state.tx.us

II. Commission Action

As a first step to developing the standards required by the Legislature, the Commission will invite people to propose draft standards for the Commission's consideration. Commentors are encouraged to discuss the use or modification of existing standards, such as those adopted in Texas, for use in Minnesota.

The Commission asks that initial comments be received by Monday, December 3, 2001, and reply comments by Friday, January 18, 2002. In the interest of administrative convenience, the Commission will delegate the authority to vary these dates to its Executive Secretary.

ORDER

1. The Commission opens the current docket for the purpose of establishing generic standards for utility tariffs for interconnection and operation of distributed generation facilities

2. Any interested person may file comments and proposals on this issue by Monday, December 3, 2001.

3. Any interested person may file reply comments and proposals by January 18, 2002.

4. The Executive Secretary may vary these dates.

5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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